

HOUSE BILL REPORT

ESHB 2254

As Amended by the Senate

Title: An act relating to construction financing for state colleges and universities.

Brief Description: Concerning construction financing for colleges and universities.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives White, Dunshee and Kenney; by request of Office of Financial Management).

Brief History:

Committee Activity:

Capital Budget: 2/24/09, 2/27/09 [DPS].

Floor Activity

Passed House: 3/10/09, 60-36.

Senate Amended.

Passed Senate: 4/24/09, 48-0.

Brief Summary of Engrossed Substitute Bill

- Adds payment of debt service on Certificates of Participation as allowable purposes for the building account by the higher education institutions.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Warnick, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Anderson, Blake, Chase, Grant-Herriot, Hope, Jacks, Maxwell, McCune, Orwall, Smith and White.

Staff: Steve Masse (786-7115)

Background:

By statute, students attending state colleges may be charged tuition that includes fees for athletics, clean energy, bus passes, health, technology, services and activities, operating, and building fees. The building fee is between 3 and 5 percent of total tuition costs at the four

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year institutions and 9.89 percent at the community and technical colleges. Statute limits increases in tuition to 7 percent of the previous year until the 2016-17 academic year.

Allowable uses of the building fees are payment for debt service on outstanding bonds issued for college buildings and deposit into the Institutions' Building or Capital Accounts (Accounts). The Accounts are appropriated and are used for small construction projects.

A Certificate of Participation (COP) is a type of security sold for a particular purpose and backed by any component of fees and revenues the university derived from its ownership and operation of its facilities. All COPs must be authorized in the capital budget and, once authorized, the institution is allowed to begin the construction or purchase process.

The University of Washington and Washington State University have authority to issue bonds, but cannot use the Building Account for debt service.

The Governor's 2009-11 proposed Capital Budget includes projects that are financed with COPs and use building fees for debt service.

Summary of Engrossed Substitute Bill:

The Building Account or Capital Account can be used for debt service payments on higher education projects that use Certificates of Participation for construction projects approved by the Legislature, and the University of Washington and Washington State University may also use the Building Account for bond debt service on projects approved by the Legislature.

EFFECT OF SENATE AMENDMENT(S):

Any revenue available in building accounts, rather than only such revenue as is generated by student building fees, may be used for COP or bond debt service.

An appropriation is not necessary for expenditures from the bond retirement funds

Authorization for the University of Washington and Washington State University to use building fees to finance bonds issued against accounts other than the bond retirement funds is dropped.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Use of the Building Account or Capital Account for Certificates of Participation (COPs) will provide a way to do more projects with a smaller capital budget and it will create

jobs. The higher education institutions worked with the Office of Financial Management on the method of financing of these projects. There are four projects that total \$109 million in the State Board for Community and Technical Colleges system and three projects that total \$86,604,000 for the University of Washington that are proposed by the Governor's 2009-11 Capital Budget to be financed by COPs. This provides another method to finance projects that are important to the higher education institutions.

(Opposed) None.

Persons Testifying: Tom Henderson, State Board for Community and Technical Colleges; Tom Saelid, Office of Financial Management; and Randy Hodgins, University of Washington.

Persons Signed In To Testify But Not Testifying: None.